

§ 1980.844

is obtained and maintained in existence and of record to protect the interest of the lender, the holder, and FmHA or its successor agency under Public Law 103-354.

(b) Security must be of such a nature that repayment of the loan is reasonably assured when considered with the integrity and ability of project management, soundness of the project, and the applicant's prospective earnings. The security may include but is not limited to the following: General Obligation Bonds, pledge of taxes or assessments, facility revenue, land, easements, rights-of-way, water rights, buildings, machinery, equipment, accounts receivable, contracts, and cash or other accounts. Security may also include assignments of leases or leasehold interest.

(c) All security must secure the entire loan. The lender will not take separate security to secure only the unguaranteed portion of the loan. The lender will not require compensating balances or certificates of deposit as a means of eliminating the lender's exposure on the unguaranteed portion of the loan.

§ 1980.844 Appraisal reports.

The borrower is responsible for the acquisition of all property rights necessary for the project and will determine that prices paid are reasonable and fair.

[64 FR 28336, May 26, 1999]

§§ 1980.845-1980.850 [Reserved]

§ 1980.851 Processing applications.

(a) *Preapplications.* (1) The County Office may handle initial inquiries and provide basic information about the program. They are to provide Standard Form (SF) 424.1 or 424.2, "Application for Federal Assistance." The County Supervisor will assist borrowers as needed in completing SF-424 and in filing written notice of intent and request for priority recommendations with the appropriate clearinghouse (except Federally recognized Indian tribes which will be dealt with in accordance with §1940.453(c) of subpart J of part 1940 of this chapter). The County Supervisor will inform the borrower that if credit for the project is available

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from commercial sources without the guarantee at reasonable rates and terms, the borrower is not eligible for a loan guaranteed by FmHA or its successor agency under Public Law 103-354. Preapplications filed in the County Office will be forwarded immediately to the District Office. The applicant/borrower will be informed that further processing will be handled by the District Office. An information folder will be established and maintained by the County Office once a preapplication is received. In the event the preapplication is filed in the District Office, the District Director may assist the borrower in completing the preapplication requirements. The District Director will meet with the borrower/applicant, whenever appropriate, to discuss FmHA or its successor agency under Public Law 103-354 preapplication processing. The appropriate information to set up the County Office information file will be sent to the County Supervisor by the District Director. Guidance and assistance will be provided by the State Director, as needed, for orderly application processing. The District Director will determine that the preapplication is properly completed and fully reviewed. The District Director will then forward the preapplication package to the State Director. The preapplication package will contain:

(i) Eligibility determination and recommendations.

(ii) One copy of SF-424.

(iii) State intergovernmental review comments and recommendations for the borrower's project (clearinghouse comments.)

(iv) Priority recommendations.

(v) Supporting documentation necessary to make an eligibility determination, such as financial statements, audits, or copies of organizational documents or existing debt instruments. The District Director will advise borrowers/applicants on what documents are necessary. Borrowers should not be required to expend significant amounts of money or time developing supporting documentation at the preapplication stage.

(vi) Information on applicant.